DESTINY RESOURCE SERVICES CORP.

2003 Annual Report

For the Year Ended December 31, 2003

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CORPORATE PROFILE

Destiny provides Seismic Front-End Services comprised of seismic survey and mapping (Wolf Survey & Mapping), seismic line clearing (Destiny Resources) and shot-hole drilling (Double R Drilling) to energy explorers and producers and to seismic acquisition companies.

Common shares of Destiny Resource Services Corp. trade on The Toronto Stock Exchange under the ticker symbol DSC.

The Annual General and Special Meeting of Shareholders of Destiny Resource Services Corp. will be held on Wednesday, May 5, 2004 at 2:30 p.m. (Calgary time) in the Lakeview Endrooms at the Westin Hotel, 320 – 4th Avenue S.W., Calgary, Alberta. The Management Information Circular, Notice of Meeting and Form of Proxy are being mailed to each shareholder with this Annual Report. Shareholders who are unable to attend the Meeting are requested to complete and return the Form of Proxy to Valiant Trust Company, Suite 510, 550 – 6th Avenue S.W., Calgary, Alberta T2P 0S2 at their earliest convenience.

FINANCIAL HIGHLIGHTS

	Year ended December 31, 2003	December 31, 2002 (restated)	Change
($000s, except per share amounts) (unaudited)	**$**	$	%
Revenue	**28,057**	23,142	**+21**
Loss for the year	**(126)**	(16,033)	**-99**
Per share – basic & diluted	**(0.00)**	(0.32)	**-100**
Loss from continuing operations	**(1,200)**	(9,149)	**-87**
Per share – basic & diluted	**(0.02)**	(0.18)	**-89**
Income (loss) from discontinued operations	**1,074**	(6,884)	**+116**
Per share – basic & diluted	**0.02**	(0.14)	**+114**
Cash flow from operations	**747**	(1,077)	**+169**
Per share – basic & diluted	**0.01**	(0.02)	**+150**
EBITDA [1]	**2,205**	323	**+583**
Per share – basic and diluted	**0.04**	0.01	**+300**
Capital expenditures [2]	**1,431**	2,699	**-47**
Weighted average shares outstanding *(000s)*			
Basic	**52,712**	49,883	**+5**
Diluted	**52,712**	50,055	**+5**

As at	Pro Forma [3] Dec. 31, 2003	Dec. 31, 2002	Change
	$	$	%
Working capital	**1,497**	(780)	**+292**
Total assets	**11,596**	23,213	**-50**
Long-term debt and debentures [4]	**7,344**	13,494	**-46**
Shareholders' equity	**(700)**	(574)	**-22**
Number of shares outstanding	**52,712**	52,712	**+0**
Book value per share outstanding	**(0.01)**	(0.01)	**-0**

[1] EBITDA is provided to assist investors in determining the ability of Destiny to generate cash from operations and is calculated from the consolidated statement of income as gross margin less general and administrative expenses. This measure does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

[2] Capital expenditures for the Company's continuing operations.

[3] The Financial Highlights illustrating the financial position of the Company have been shown on a pro forma basis for the year ended December 31, 2003 in order to incorporate the culmination of the reorganization transactions that the Company initiated during 2003. Please refer to pages 12 & 13 for the Pro Forma Balance Sheet as at December 31, 2003 and accompanying notes for details on these transactions.

[4] Excluding current portion.

LETTER TO SHAREHOLDERS

FELLOW SHAREHOLDERS,

2003 was indeed a full year for Destiny. It began with the continuing consolidation of our management and cost structure for our Front-End Services businesses, including our first winter in our new premises in Grande Prairie, Alberta. We then grappled, from a sales perspective, with only modest growth in demand for seismic services from the dismal year that was 2002. Corporately, we undertook a strategic alternatives process that yielded not a transaction between Destiny and an acquiror but rather tension between Destiny and its largest creditor (also the largest shareholder) over the prospects for achieving value for the shareholders. This led to the determination to sell businesses, repay debt and restructure debt, all of which were achieved in the last months of the year and into the first 40 days of the new year.

As we take stock of the year (really the 17 months from October, 2002 through February, 2004) we have many accomplishments of which to be proud:

Management: Each of our businesses has strong leaders and lieutenants focused on the key elements for success.

Cost control: We have a structure that permits us to exploit opportunities while permitting us to be more nimble.

Market share: We are growing our presence in key markets and defending our position in others.

Safety record: Our emphasis on the safety of our people and those with whom we work continues. We believe our enviable safety record is a competitive advantage from the perspective of our cost structure and by making us a service supplier of choice.

Quality of clients: The quality of work we do, combined with our safety record and our efficiency, permits Destiny to provide services to a vast array of clients, including many of the leading oil and gas exploration companies and the leading seismic acquisition companies.

Alignment of incentives: We are putting in place incentive programs to encourage key managers to think like shareholders with a focus on both near term and longer term, without burdening the shareholders with levels of future dilution.

Sales transactions: Destiny sold 3 businesses and withdrew from a fourth. The details have been documented in other releases and are covered elsewhere. Suffice it to say, we wish the best to the buyers, former Destiny managers, and to their employees.

Debenture transaction: Destiny Resource Investment L.P. acquired the $10,000,000 principal amount 8% subordinated, secured debentures due July 2, 2004, approximately $800,000 of unpaid interest on the debentures and 29.63 million shares of Destiny from the former holder thereof.

Debt retirement: Destiny's obligations on the debentures, including bringing all interest payments current, were reduced by approximately $6.5mm. Funds for this came, in part, from the sales of businesses, from other borrowings and from the general resources of the Company.

Banking: Our new operating lender is HSBC Bank Canada. Together, we have put in place a banking relationship and credit facility in line with the needs of our Company.

Term loan: In early February, 2004 Destiny borrowed $3.55 million from RoyNat Inc. The proceeds were used in part for payments on the debentures, for elimination of other term debt (thus simplifying the Company's borrowing relationships) and for working capital.

Debenture extension: The remaining $4.8 million of principal on the debentures has a maturity extended to July 2, 2008. Until then Destiny is to make semi-annual interest payments and, in accordance with a formula, to pay cash flow in excess of other needs as prepayments on the debentures.

Board of directors: The changes to our Board has given Destiny a strong group of independent thinkers, and a Board that is not weighted disproportionately to largest interests. In accordance with good corporate governance practices the Board appointed Glen Roane as Lead Director.

United Way: Destiny conducted its first ever United Way workplace campaign in our Calgary office. Proudly, we earned a United Way Gold award for the significant employee participation in this worthwhile effort.

Given this list, it is too bad the reporting on financial results is as complicated as it is. The several transactions undertaken require us to separate our reporting into continuing and discontinued operations. This seems fair. That the way various costs are allocated as between these two components, with Continuing Operations bearing an unseemly portion, seems less fair. For example: Destiny's interest costs and deferred charges amortization for 2003 were approximately $2.5mm. Of this, approximately $2.4mm is allocated to Continuing Operations and $0.1mm to Discontinued Operations. Yet Discontinued Operations represented more than half the fixed assets and contributed more than half of the revenue. Put another way: Destiny's budget for interest expense and amortization of deferred charges for 2004 is approximately $0.7mm. If this comes to pass, we will have a $1.7mm better year from Continuing Operations even if nothing else changes.

The many changes in the Company together with the dramatic shifts in the market place in which we operate make it very difficult to use the past as predictive of the future. We have tried to "normalize" earnings from the Continuing Businesses, adjusting for the non-recurring items and attempting to dampen the swings. All this really teaches is that each year must be tackled for the unique opportunities it holds and utilized to move our businesses and our Company forward.

So how do we view Destiny going forward? We have adequate working capital and capitalization. We have term debt that has appropriate repayment provisions such that we are able to focus on long-term success, on doing the right things for the right reasons. In other words, we have the right side of our balance sheet in acceptable shape and we have the support of our operating and term lenders. (To show this, we are including a pro forma balance sheet that gives effect as at year end to the final parts of the restructure that actually occurred in 2004.) We have our costs in line for the volatility in the marketplace. We have a safety record that is the envy of the industry and is proving to be a competitive advantage. We have experienced management, at all levels of sales and operations, who are motivated to achieve success in both the short- and long-term. We operate in an industry that must expand the resources dedicated to its research component, the component we serve. We provide services to the exploration for and production of a commodity, natural gas, that is escalating in value and is plentiful in the areas in which we operate.

Two months do not a year, nor a series of successful years, make. That said, we are very pleased with the results of our businesses in January and February (and March to the time of writing) and are very encouraged by the indications of demand for our services for the rest of the year, and for the years beyond.

On a personal note, I wish to express my gratitude to our Board of Directors. Destiny has had some challenges and some pressures and it is comforting for me as CEO, and should be for all shareholders, to know the intellect and integrity Destiny gets applied to our issues.

We continue to express our gratitude as Shareholders to the men and women who each day earn and re-earn the reputation of Destiny as a service supplier of choice and as an employer of choice. Our people, in the field, in our offices, presenting to our clients, where ever, continue to create the opportunity for Destiny to expand market share, to work again for our customers, to be a choice for those needing our services. We remind our people, especially the men and women in the field, that our sales people can get us in the door for a first job with a client – but only their work can get us repeat opportunities.

On behalf of the Board of Directors,

Bruce R. Libin, Q.C.
Executive Chairman and
Chief Executive Officer
March 31, 2004

OPERATIONS REVIEW

Following the transactions described elsewhere in this report, Destiny's sole business is providing Seismic Front-End Services to energy explorers and producers and to seismic acquisition companies.

SEISMIC FRONT-END SERVICES

Destiny is Canada's only full service front-end seismic contractor providing survey and mapping, line clearing and shot-hole drilling services. These services are delivered by Wolf Survey & Mapping (GPS surveying and GIS mapping), Destiny Resources (low impact line clearing) and Double R Drilling (heliportable and track mounted seismic shot-hole drilling).

Providing exploration and production companies and geophysical acquisition contractors with the opportunity for integrated or unbundled front-end services, Destiny is an industry leader in technological innovation and the implementation of coordinated services.

SURVEY & MAPPING

Destiny's survey division, Wolf Survey & Mapping, utilizes world class GPS survey equipment and highly skilled personnel to garner extra efficiencies in delivering services and to produce the highest quality products.

In 2003, Wolf continued to expand the implementation of high technology surveying including the Wolf's proprietary UnderCanopyGPS™ and Lidar surveys. These techniques enable seismic operations to occur with minimal tree cutting, thereby greatly reducing environmental impact, safety risk exposure and timber damage costs.

Innovation and quality have established Wolf Survey & Mapping as one of the leading survey contractors in the geophysical industry.

LINE CLEARING

Destiny's line clearing division, Destiny Resources, specializes in low impact seismic right-of-way clearing. Destiny Resources maintains its focus on integrity and innovation and is widely recognized as a quality orientated service provider.

Destiny Resources has deployed GPS guidance systems throughout its entire fleet of line clearing equipment, and has revolutionized the hand cut line clearing business with unique GPSlashing™ methodologies.

DRILLING

2003 was a year of progress for Destiny's drilling division, Double R Drilling. The continued efforts to improve efficiency and effectiveness in our shop facility in Grande Prairie have resulted in lower costs, faster turn-arounds and better results. Double R Drilling expanded its fleet of equipment and upgraded its training programs. These efforts are yielding improved margins and cost control.

SAFETY

Destiny continues to emphasize the importance of Health, Safety and the Environment in all aspects of our work. Our commitment to training, to reporting, to investigating and to ensuring the prevention and control of all potential loss is underscored by Loss Time Accident (LTA) and Severity ratings well below industry averages and well below industry standards.

We will remain vigilant in our quest to provide a safer work place for all of our employees.

Our motto is simple, "Safety, Quality, and Service".

2003 ANNUAL REPORT

FOR THE YEAR-ENDED DECEMBER 31, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of financial results for the years ended December 31, 2003 and 2002 should be read in conjunction with the Company's consolidated financial statements and related notes contained in this Annual Report. Certain statements included in this discussion constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect demand for the Company's services; industry capacity; the ability of the Company to implement its business strategy; and changes in, or the failure to comply with government regulations, especially health, safety and environmental laws, regulations and guidelines.

OVERVIEW

With the Company burdened by high debt levels and with the $10.0 million 8% subordinated debenture maturing on July 2, 2004 Destiny determined it was in the best interest of shareholders for the Company to reduce debt through the use of proceeds from the sale of non-core businesses and to restructure the remaining debt.

During the year ended December 31, 2003 the Company initiated a number of major transactions to achieve this debt reduction objective. These transactions, which saw the Company dispose of two of its three business segments, pay down debt and restructure its remaining debt have significantly altered the composition of the Company as outlined below.

A) BUSINESS DISPOSITIONS

Surface Preparation

Battle River Oilfield construction	- Sold the assets and the business in two stages - Sold the premises and the business in November 2003 - Sold heavy equipm ent in February

Post-Drilling Construction

McConnell Welding & Construction	- Sold the assets and the business in October 2003
Big Foot Metal Systems	- Sold the assets and the business in September 2003
Team Pipeline	- Shutdown the business and s old the assets at auction in December 2003

B) CORE BUSINESSES RETAINED

Seismic Front-End Services

Destiny Resources
Double R Drilling
Wolf Survey & Mapping

C) SELECT FINANCIAL INFORMATION OF MAJOR TRANSACTIONS

(all amounts in $millions)	Proceeds on Sale	Gain (loss) on Sale	Term Loan Proceeds	Long-term Debt Repaid	Debenture repayment	2003 Revenue (to date of disposition)	2002 Revenue
Business Dispositions							
Battle River Oilfield Construction	$4. 4	$0.5		$0.6 (1)	$3.0(1)	$11.6	$13.3
McConnell Welding & Construction	$2.0	$(0.2)		$0.2		$8.3	$9.8
Big Foot Metal Systems	$0.4	$0.0		$0.0		$1.0	$1.7
Team Pipeline	$1.3	$0.3		$0.5		$5.0	$2.4
New Financing							
Term loan(1)			$3.55	$0.3	$2.0		
	$8.1	$0.6	$3.55	$1.5	$5.0	$25.9	$27.2

(1) Please note that these transactions occured subsequent to December 31, 2003

The effects of these transactions are as follows:

- The Company's continuing operations will consist of one business segment, being Seismic Front-End Services, which is comprised of seismic survey and mapping, seismic line clearing and shot-hole drilling.
- For financial statement reporting, the results of operations and the financial position of Battle River Oilfield Construction, McConnell Welding and Construction, Big Foot Metal Systems and Team Pipeline have been presented in the 2003 consolidated financial statements as discontinued operations.
- The Company has reported an overall gain on the dispositions of $0.6 million
- Total gross proceeds of the sales are approximately $8.1 million. The proceeds have been utilized as follows:
    - $1.5 million has been applied to the reduction of long-term debt
    - $5.0 million has been applied against the 8% subordinated debentures. This reduction in amount outstanding on the debentures provided the opportunity for the Company to negotiate an extension on the maturity date of the debentures from July 2004 to July 2008.
    - the balance, after deducting costs and other adjustments, will be used for capital expenditures and to supplement working capital.
- On a combined basis the businesses that have been sold or are in the process of being sold had revenue 9 to the dates of disposition) for the year ended December 31, 2003 of $25.9 million (2002 - $27.2 million) or 48% (2002 – 54%) of the Company's total revenue.

RESULTS OF OPERATIONS

The following analysis compares financial results for the years ended December 31, 2003 and 2002. Please note that the analysis pertains to the Company's continuing operations of Seismic Front-End Services. Excluded from the analysis are businesses that have been classified in the consolidated financial statements as discontinued operations. The businesses that have been excluded are:

Surface Preparation

- Battle River Oilfield construction

Post-Drilling Construction

- McConnell Welding & Construction
- Big Foot Metal Systems
- Team Pipeline

Please also note that the sections on working capital, long-term debt, and debentures provide analysis based on the audited consolidated balance sheets shown on page 16 of this annual report, and provide further analysis based on the unaudited pro forma balance sheets and accompanying notes presented on pages 12 & 13 of this annual report, that give effect to certain early 2004 transactions that complete the Company's reorganization.

REVENUE

Revenue for 2003 was $28.1 million, a $5.0 million or 22% increase from the $23.1 million recorded in 2002. This increase in revenue is attributable to a slight increase in overall industry activity and more significantly to successful marketing efforts that have resulted in an increase in market share in the Company's survey & mapping and seismic drilling divisions. This increase is offset somewhat by a decline in activity in the line clearing division resulting from much of the available work being located in northeastern British Columbia where our clients often support work being contracted to First Nations companies

GROSS MARGIN

Gross margin totaled $3.3 million, a $1.9 million or 136% increase from the $1.4 million recorded in 2002. As a percentage of revenue, gross margin increased from 6.0% in 2002 to 12% for 2003. This overall increase in gross margin is attributed primarily to the following factors:

- The Company altering its cost structure so that a greater portion of direct expenses are variable as opposed to fixed which results in a reduction in overall costs.
- Improved field efficiency in the Company's survey & mapping division as profit performance is starting to catch up to the tremendous revenue growth that this division has achieved over the past two years.
- The Company's seismic drilling division had the benefit of operating for a full year with lower operations level overhead that resulted from initiatives undertaken by new management in the later part of 2002 and into 2003.

Partially offsetting the positive factors detailed above is a decrease in the gross margin of the Company's line clearing division. This decrease in gross margin is due to higher competitive factors, including much of the line clearing work being performed in northeastern British Columbia where our clients often support work being contracted to First Nations companies

During 2002 the following specific factors contributed to reduced gross margins :

- High ramp up costs and difficult drilling conditions on three shot-hole drilling programs in Alberta and the Arctic resulted in lower than normal field margins.
- Adapting to a significant new client's field methodology in Wolf Survey & Mapping's business resulted in lower than normal field margins on one significant project.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses, which represent primarily the costs associated with the corporate head office, totaled $1.1 million in each of 2003 and 2002. The $1.1 million is net of general and administrative costs directly attributable to discontinued operations. The Company expects that general and administrative expense will be approximately $1.0 million for fiscal 2004

AMORTIZATION AND WRITE-DOWN OF CAPITAL ASSETS AND GOODWILL

Amortization and write-down of capital assets and goodwill totaled $1.3 million in 2003 versus $9.1 million in 2002. $6.9 million of the total $7.8 million decrease is due to the Company recording in 2002 a $3.9 million write-down of goodwill and a $3.0 million write-down of capital assets taken to provide carrying values that are in line with the future benefits to be provided by these assets. The remaining $0.9 million decrease is due to $1.0 million lower amortization of capital assets as a result of lower carrying values arising from the 2002 write-down, offset by a $0.1 million write-down taken in 2003 after establishing the market value of the Company's vacant Fairview premises that is currently for sale.

LOSS ON DISPOSAL OF CAPITAL ASSETS

During 2003 the Company reported an overall gain of $0.1 million on the disposal of capital assets compared to reporting a loss of $0.2 million during 2002. These amounts represent the result of normal course disposition of capital assets.

INTEREST EXPENSE

Total interest expense was $2.4 million, an increase of $0.2 million compared to the 2002 total of $2.2 million. The largest component of interest expense, being interest on the Company's 8% debenture, remained unchanged at $0.8 million per year as the balance outstanding was reduced only minimally by $0.1 million late in 2003. The $0.2 million increase in interest expense is due to:

- $0.1 million in cross border nonrefundable withholding taxes being assessed on debenture interest and being reported as interest expense.
- operating loan interest expense being $0.1 million higher in 2003 as result of the increase in business volume and as a result of the Company losing approximately $1.0 million of working capital as the result of one large bad debt during 2003.
- the amortization of deferred charges being $0.2 million higher in 2003 primarily as the result of the Company writing-off as part of the reorganization the deferred charges related to past financings.

Offsetting these decreases is a 2003 $0.2 million decrease interest on long-term debt as a result of both regularly scheduled repayments and repayments arising on the sale of assets.

GAIN ON DISPOSAL OF SUBSIDIARY COMPANY

In 2002 a gain of $0.6 million (reflecting net liabilities disposed) was recognized on the disposition of the Company's International subsidiaries.

Income Taxes

The Company was not in a taxable position for the year ended December 31, 2003 with minor "capital" taxes being the only tax expense provided for. The total net income tax provision for 2002 reflects a decrease in future tax liabilities of $1.4 million due to the operating loss incurred, net of minor current "capital" tax expense. The Company has approximately $11.1 million of unutilized Canadian non-capital tax loss carry forwards available, the benefit of which has not been fully recognized in the financial statements.

During the year ended December 31, 2003 the Company, by virtue of the acquisition of 56% of the common shares of the Company and the 8% subordinated debentures, had previously reported non-capital tax losses carried forward reduced by $4.9 million due to the application of certain provisions of the Income Tax Act pertaining to debt forgiveness.

Liquidity and Capital Resources

Destiny's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase and manufacture of operating equipment and capital to finance strategic acquisitions. Sources of funds to satisfy these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and equity markets.

The Company believes that it has the capital resources and availability to meet both its working capital and maintenance capital expenditure requirements for 2004 and beyond.

Working Capital

At December 31, 2003 the Company has a working capital surplus of $1.0 million compared to a working capital deficiency of $0.8 million as at December 31, 2002. This $1.8 million increase is a result of positive cash flow from operations and to the net proceeds, after debt repayments, on the sale of the discontinued operations being applied to working capital.

After giving pro forma effect to certain reorganization transactions that occurred subsequent to year end (please see the pro forma balance sheet and accompanying notes presented on pages 12 & 13 of this annual report, the Company has a working capital surplus of $1.5 million as at December 31, 2003. This $0.5 million increase over the $1.0 million working capital surplus as at December 31, 2003 described above is due to the term loan financing. Of the gross proceeds of $3.6 million, $2.3 was applied to debt repayments with the balance of $1.3 million being used to supplement working capital. The $1.3 million in working capital was partially offset by a $0.8 million increase in the current portion of long-term debt which leaves the Company with a net $0.5 million increase in working capital arising from the pro forma transactions.

Capital assets

Capital assets have increased by $0.1 million from $5.1 million as at December 31, 2002 to $5.2 million as at December 31, 2003. The net increase is a result of capital expenditures of $1.4 million being offset by amortization expense for the year of $1.3 million.

Long-term debt

The Company had three objectives in restructuring its long-term debt. First, to pay down as much long-term debt as possible though proceeds realized on the sale of non-core assets and businesses, second, to refinance $2.0 million of the debentures with long-term debt, and third, to consolidate its remaining long-term debt under one loan. The Company achieved all three objectives.

Long-term debt decreased by $4.3 million from $5.1 million as at December 31, 2002 to $0.8 million as at December 31, 2003. No new long-term debt was issued during the year. The $4.3 million decrease is due to $2.0 million of scheduled repayments, $1.6 million of proceeds from the auction sale of redundant assets being applied against a term loan and to $0.7 million of proceeds from the sale of McConnell Welding and Construction and the assets of Team Pipeline being applied against specific equipment loans.

After giving pro forma effect to the Battle River transactions and the term loan financing that occurred subsequent to year end (please see the pro forma balance sheet and accompanying notes presented on pages 12 & 13 of this annual report, the Company has long-term debt of $3.55 million, being the amount of the term loan financing. Proceeds from the Battle River transactions and the term loan financing were used to retire the remaining equipment loans.

DEBENTURES

The financial reorganization of the Company, which was orchestrated throughout 2003, centered on the 8% subordinated debentures owned by the Company's majority shareholder. In September 2003 the debentures together with the 56.2% of the common shares of the Company owned by First Reserve VIII LLP were sold to Destiny Resources Investment Limited Partnership.

In December 2003 the terms of the debenture were amended. The Company and DRILP agreed: (i) to extend the maturity of the debentures to July 2, 2008; (ii) for the Company to pay $2,000,000 from the proceeds of the new term debt and $3,000,000 from the proceeds of the sale of the Battle River heavy equipment as retirement of principal on the debentures; and (iii) to replace the formula for interim payments with a requirement for semi-annual payments based on a formula that incorporates cash flow from operations, proceeds of disposition of assets, capital expenditures and term debt principal payments. No provision has been made for any payments that may be made in 2004.

After giving pro forma effect to the repayment of principal, referred to in the preceding paragraph and shown on the pro forma balance sheet and accompanying notes presented on pages 12 & 13 of this annual report, the amount outstanding on the debentures has decreased from $10.0 million as at December 31, 2002 to $4.8 million as at December 31, 2003.

SHAREHOLDERS' DEFICIENCY

During 2003 the Company had no share capital activity. Total shareholder's deficiency increased by $0.1 million, being the net loss for the year.

3,175,000 common share purchase warrants issued in relation to a previously redeemed debenture expired on October 31, 2003 without being exercised.

BUSINESS RISKS

Destiny is subject to the risks and variables inherent in the oilfield services industry. Demand for the Company's products and services depends on the exploration, development and production activities of energy companies. These activities are directly affected by factors such as oil and gas commodity prices, weather, changes in legislation, exchange rates, the general state of domestic and world economies, concerns regarding fuel surpluses or shortages, substitution through imports or alternative energy sources, changes to taxation or regulatory regimes and the broad sweep of international political risks such as war, civil unrest, nationalization and expropriation or confiscation, which are all beyond the control of the Company and cannot be accurately predicted. The oil market is influenced by global supply and demand considerations and by the supply management practices of OPEC. The natural gas market is primarily influenced by North American supply and demand and by the price of competing fuels. The risks associated with external competition are minimized by concentrating Company activities in areas where it has demonstrated technical and operational advantages and by employing highly competent professional staff. Environmental standards and regulations are continually becoming more stringent in this industry and Destiny is committed to maintaining its high standards. Destiny also mitigates business risks by establishing strategic alliances with reputable partners, developing new technologies and methodologies as well as investigating new business opportunities.+

The risks inherent in the oilfield services industry impact the Company's ability to meet its financial covenants on the debentures and the term loan. Accordingly, the Company may be in violation of its covenants, which might result in repayment being demanded.

OUTLOOK

Following its reorganization the Company has adequate working capital and capitalization. The Company has term debt that has repayment provisions that are appropriate and a cost structure that has sufficient variability as to be able to adapt to the volatility of our industry. The Company has experienced management, at all levels of sales, operations and administration who are motivated to achieve success in both the short- and long-term. The Company provides services to the exploration for and production of a commodity, natural gas, that is escalating in value and is plentiful in the areas in which the Company operates.

The Company has started 2004 on a strong footing and is encouraged by the indications of demand for the Company's services for the rest of the year, and for the years beyond.

PRO FORMA CONSOLIDATED BALANCE SHEET

As at December 31, 2003

	December 31, 2003 (as reported)	Battle River Sale (note 2)	Term Loan Financing (note 3)	Team Pipeline Working Capital (note 4)	**December 31, 2003 Pro forma (unaudited)**
ASSETS	**$**	**$**	**$**	**$**	**$**
CURRENT					**(note 1)**
Accounts receivable	**5,672,894**				**5,672,894**
Inventory	**459,160**				**459,160**
Prepaid expenses	**317,084**				**317,084**
Current assets of discontinued operations	**5,313,650**	(4,108,229)		(1,205,421)	---
	11,762,788	(4,108,229)		(1,205,421)	**6,449,138**
Capital assets	**5,147,120**				**5,147,120**
	16,909,908	(4,108,229)		(1,205,421)	**11,596,258**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
CURRENT					
Bank indebtedness	**3,077,302**	(441, 717)	(1,238,146)	(1,205,421)	**192,018**
Accounts payable and accrued liabilities	**3,651,093**				**3,651,093**
Income taxes payable	**68,950**				**68,950**
Current portion of long-term debt	**783,942**	(472,088)	728,146		**1,040,000**
Current liabilities of discontinued operations	**194,424**	(194,424)			
Current portion of debentures	**3,000,000**	(3,000,000)			**---**
	10,775,711	(4,108,229)	(510,000)	(1,205,421)	**4,952,061**
Long-term debt	**---**		2,510,000		**2,510,000**
Debentures	**6,833,884**		(2,000,000)		**4,833,884**
Shareholders' deficiency					
Share capital	**8,370,998**				**8,370,998**
Deficit	**(9,070,685)**				**(9,070,685)**
	(699,687)				**(699,687)**
	16,909,908	(4,108,229)	**---**	(1,205,421)	**11,596,258**

See accompanying notes to the pro forma consolidated balance sheets.

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET

As at December 31, 2003

1. BASIS OF PRESENTATION

This pro forma consolidated balance sheet is expressed in Canadian dollars and has been prepared on a pro forma basis as at December 31, 2003 to give effect to certain reorganization transactions that occurred subsequent to December 31, 2003.

2. COMPLETION OF SALE OF BATTLE RIVER OILFIELD CONSTRUCTION

In February 2004, the Company closed the sale of the heavy equipment of Battle River Oilfield Construction for cash proceeds of $3,972,621. The proceeds, together with refundable prepaid insurance in the amount of $135,608 are shown as a reduction in current assets of discontinued operations as at December 31, 2003. The proceeds were used to repay equipment purchase contracts which at December 31, 2003 had balances outstanding of $194,424, to repay a term loan which at December 31, 2003 had a balance outstanding of $472,088 and to repay $3,000,000 of the debentures. The balance of the proceeds was used to supplement working capital and has been shown as a reduction of bank indebtedness.

3. TERM LOAN FINANCING

In February 2004, the Company entered into a $3,550,000 term loan facility, bearing interest at the lender's base rate plus 3.25%, maturing in 2007. The Company has provided a first charge on specific capital assets and a floating charge on all other assets as collateral for this term loan. The loan proceeds of $3,550,000 were used to repay all remaining equipment purchase contracts which as at December 31, 2003 had balances outstanding of $311,854 and to repay $2,000,000 on the debentures. The balance of proceeds of $1,236,006 was used to supplement working capital and has been shown as a reduction of bank indebtedness.

4. TEAM PIPELINE WORKING CAPITAL

As at December 31, 2003, the Company had $1,205,421 of outstanding accounts receivable and refundable prepaid insurance related to the discontinued operations of Team Pipeline. The pro forma consolidated balance sheet as at December 31, 2003 reflects the normal course collection of these amounts with the cash proceeds being shown as reduction in bank indebtedness.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders of Destiny Resource Services Corp.

The consolidated financial statements and other financial information contained in this Annual Report have been prepared by management. Management is responsible for the reliability of the consolidated financial statements and related notes, which have been prepared in conformity with Canadian generally accepted accounting principles and reflect amounts based upon management's informed estimates and judgments, as required. Management has ensured that financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse, and financial records are properly maintained to provide reliable financial information for the preparation of financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board carries out this responsibility principally through its Audit Committee. This Committee, consisting of a majority of non-management directors, meets periodically with management and the Company's external auditors to discuss audit examinations, internal control, accounting policy and financial reporting matters.

The Audit Committee also reviews with management the annual and quarterly consolidated financial statements of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and unrestricted access to the Audit Committee. The Committee also recommends a firm of external auditors to be appointed by the Company's shareholders. The shareholders have appointed Ernst & Young LLP as the external auditors of the Company to provide an independent professional opinion on the annual consolidated financial statements. The auditors' report to the shareholders is presented in the Annual Report.

Bruce R. Libin, Q.C.
Executive Chairman and Chief Executive Officer

Jim Francis
Corporate Controller

Calgary, Alberta
March 29, 2004

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Destiny Resource Services Corp.

We have audited the consolidated balance sheets of **Destiny Resource Services Corp.** as at December 31, 2003 and 2002, and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Calgary, Canada
March 12, 2004

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31	**2003**	2002
	$	$
Assets *[notes 5 and 6]*		*(note 3)*
Current		
Accounts receivable *[notes 5 and 15]*	**5,672,894**	3,400,960
Inventory *[note 5]*	**459,160**	592,159
Prepaid expenses	**317,084**	320,334
Current assets of discontinued operations *[note 3]*	**5,313,650**	5,199,323
	11,762,788	9,512,776
Capital assets *[notes 4 and 6]*	**5,147,120**	5,056,728
Capital assets of discontinued operations *[note3]*	**---**	7,944,958
Deferred charges	**---**	698,518
	16,909,908	23,212,980
Liabilities and Shareholders' Deficiency		
Current		
Bank indebtedness *[note 4]*	**3,077,302**	804,996
Accounts payable and accrued liabilities *[note 12]*	**3,651,093**	3,257,236
Income taxes payable	**68,950**	64,604
Current portion of long-term debt *[note 6(a)]*	**783,942**	1,979,454
Current liabilities of discontinued operations	**194,424**	4,186,431
Current portion of debentures *[note 6(b)]*	**3,000,000**	---
	10,775,711	10,292,721
Long-term debt *[note 6(a)]*	**---**	3,099,337
Long-term debt related to discontinued operations *[notes 3 and 6(a)]*	**---**	394,886
Debentures *[note 6(b)]*	**6,833,884**	10,000,000
Commitments & contingencies *[note 16]*		
Shareholders' deficiency		
Share capital *[note 7]*	**8,370,998**	8,370,998
Deficit	**(9,070,685)**	(8,944,962)
	(699,687)	(573,964)
	16,909,908	23,212,980

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Year ended December 31	**2003**	2002
	$	*$*
		(note 3)
Revenue	**28,057,075**	23,142,795
Direct expenses	**24,797,972**	21,754,396
Gross margin	**3,259,103**	1,388,399
Other expenses (income):		
General and administrative	**1,053,970**	1,064,966
Amortization and write-down of capital assets and goodwill *[note 4]*	**1,282,804**	9,102,782
Loss (gain) on disposal of capital assets	**(118,930)**	166,922
Interest *[note 8]*	**2,371,719**	2,181,440
Other expenses (income) *[note 9]*	**(190,589)**	(54,432)
Gain on disposal of subsidiary company *[note 10]*	**---**	(566,725)
	4,398,974	11,894,953
Loss from continuing operations before income taxes	**(1,139,871)**	(10,506,554)
Income taxes (recovery) *[note 10]*		
Current	**59,650**	48,163
Future	**---**	(1,405,448)
	59,650	(1,357,285)
Loss from continuing operations	**(1,199,521)**	(9,149,269)
Income (loss) from discontinued operations, net of income taxes *[note 3]*	**1,073,798**	(6,883,992)
Net loss for the year	**(125,723)**	(16,033,261)
Retained earnings (deficit), beginning of year	**(8,944,962)**	7,240,299
Adjustment upon accounting for stock based compensation *[note 2]*	**---**	(152,000)
Deficit, end of year	**(9,070,685)**	(8,944,962)
Per share amounts *[note 7]*		

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31	**2003**	2002
	$	$
CASH FLOWS PROVIDED BY (USED IN)		*(note 3)*
Operating activities:		
Loss from continuing operations	**(1,199,521)**	(9,149,269)
Items not involving cash:		
Amortization and write-down of capital assets and goodwill	**1,282,804**	9,102,782
Amortization of deferred charges	**782,693**	548,908
Loss (gain) on disposal of capital assets	**(118,930)**	166,922
Future income taxes	**---**	(1,405,448)
Gain on disposal of subsidiary company	**---**	(566,725)
Gain on collection of other receivables	**---**	(214,911)
Write-down of inventory	**---**	440,877
Cash flow from operations	**747,046**	(1,076,864)
Net change in non-cash working capital *[note 13]*	**(1,737,482)**	(1,022,410)
	(990,436)	(2,099,274)
Financing activities:		
Increase in bank indebtedness	**2,272,306**	804,996
Issue of long-term debt	**---**	900,000
Repayment of long-term debt	**(4,651,266)**	(3,662,415)
Repayment of debentures	**(166,116)**	---
Increase in deferred charges	**(84,195)**	(101,000)
Proceeds on issuance of common shares, net of share issue costs	---	1,343,128
	(2,629,271)	(715,291)
Investing activities:		
Purchase of capital assets	**(1,074,631)**	(1,554,177)
Proceeds on sale of capital assets	**176,782**	237,081
Cash flow from discontinued operations	**4,517,556**	1,153,168
Decrease in other receivables	**---**	591,285
	3,619,707	427,357
Decrease in cash and cash equivalents	---	(2,387,208)
Cash and cash equivalents, beginning of year	---	2,387,208
Cash and cash equivalents, end of year	---	---

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated.

Cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventory

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost. Amortization is generally applied on a declining balance basis to amortize the cost of the capital assets over their estimated economic useful lives as follows:

Buildings and leasehold improvements	5% to 20%
Seismic drills and accessories	25%
Tractors and heavy equipment	15% to 25%
Equipment and tools	10% to 30%
Office and computer equipment	20% to 30%
Automotive and tracked vehicles	10% to 50%

When capital assets are sold or scrapped, the cost of the asset and the related accumulated amortization are removed from the accounts and any resulting gain or loss on disposal is reflected in the Consolidated Statement of Operations.

Deferred charges

Deferred charges represent the unamortized costs associated with the issuance of long-term debt facilities and are amortized on a straight-line basis over the remaining term of the financings. Amortization of deferred charges is included in interest expense (note 8).

Revenue recognition

Revenue on contracts is recognized at the time the services are provided.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between financial reporting and income tax basis of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period in which the change substantively occurs.

Foreign currency translation

Monetary assets and liabilities which are denominated in a foreign currency are translated at year-end exchange rates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. All exchange gains and losses are reflected in other income or expense.

Per share amounts

The Company utilizes the treasury stock method in the determination of diluted earnings (loss) per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming that the proceeds arising from the exercise of outstanding in the money options are used to purchase common shares of the Company at their average market price for the period.

Leases

Leases that transfer substantially all the benefits and inherent risks of ownership of the property leased are recorded by the Company as a capital lease at the inception of the lease. The present values of the future payments under such leases are recorded as capital assets (and amortized over their estimated useful lives) and related long-term debt. All other leases are classified as operating leases (see note 16) under which lease payments are recorded as expenses in the period in which they are incurred.

Measurement uncertainty

As a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Significant estimates are used in determining such items as allowance for doubtful accounts, provision for inventory obsolescence, useful lives and recoverable values of capital assets, and accruals for repair and maintenance. Actual results could differ significantly from those estimates. Estimates are reviewed on a regular basis, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Stock based compensation

Under the Company's stock option plan, options to purchase common shares are granted to directors, officers, employees and consultants at current market prices. Options issued by the Company subsequent to January 1, 2003 are accounted for in accordance with the fair value method of accounting for stock-based compensation, and as such the cost of the option is charged to earnings with an offsetting amount recorded to contributed surplus, based on an estimate of the fair value determined using a Black-Scholes options pricing model. No compensation expense has been recorded on options issued in 2002.

The fair value of direct awards of stock to employees and stock options granted to non-employees are recognized into earnings over the period the services are provided based on the fair value method of accounting for stock-based compensation. The fair value is determined by the quoted market price of the Company's stock and other assumptions in effect at the date of granting using a Black-Scholes Option Pricing Model.

The Company may also grant to selected executives and other key employees stock appreciation rights and restricted stock units which are settled in cash.

The costs associated with stock appreciation rights are measured as the amount by which the quoted market value of the shares of the enterprise's stock covered by the grant exceeds the market price of the underlying stock. Changes, either increases or decreases, in the quoted market value of those shares between the date of grant and the measurement date result in a change in the measure of compensation for the right.

The costs associated with restricted stock units are measured as the average quoted market price of the underlying stock over the thirty day period prior to the grant date. Changes, either increases or decreases, in the quoted market value of those shares between the date of grant and the measurement date result in a change in the measure of compensation for the right.

2. CHANGE IN ACCOUNTING POLICY

The Canadian Institute of Chartered Accountants issued Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments, which requires fair value accounting for all stock-based payments to non-employees, and for employee awards that are direct awards of stock, or call for settlement in cash or other assets, and for stock appreciation rights.

The Company adopted the fair-value method of accounting for stock options for fiscal 2003. For stock options, the fair-value based method has been applied prospectively, whereby compensation costs are recognized for all options granted or modified on or after January 1, 2003. Adoption of this accounting pronouncement has resulted in an expense of $nil being recorded in the Company's consolidated financial statements for the year ended December 31, 2003 as no options were grant during 2003. For share appreciation rights and restricted stock units there was no impact on the 2003 consolidated financial statements. (2002 – $152,000).

3. DISCONTINUED OPERATIONS

In 2003 the Company restructured its operations, and disposed of the operating assets which in total comprised two of its three business segments (see note 14). The 2002 comparative financial statements have been reclassified to report the results of operations (including the resultant gain or loss on disposal) and the financial position of the business units sold as discontinued operations. The individual disposals are summarized as follows:

i. In September 2003 the Company sold the operating assets net of certain related liabilities of its Post-Drilling Construction businesses (note 14) by way of transactions with three separate purchasers of the following business units, for total gross proceeds of approximately $2,345,000:
   - the Big Foot Metal Systems division ("BIG");
   - the McConnell Welding & Construction division ("MWC") and:
   - the land and building utilized by MWC.

ii. On October 10, 2003 the Company entered into an agreement for the sale of the operating assets of its Surface Preparation business segment (note 14), which operated as Battle River Oilfield Construction ("BROC"), to the general manager of the business. The sale was comprised of two components, the first being the sale (which closed in November 2003) of the operating business, land and building and the assumption of certain rights and obligations and the second (which closed in January 2004) being the sale of heavy equipment (note 17(c)). Total gross proceeds, before working capital adjustments, for the two transactions were approximately $4,443,000. Proceeds of $3,972,621 which were received in February 2004 (note 17(c)) are included in accounts receivable of discontinued operations as at December 31, 2003.

iii. The operating assets of the Team Pipeline division ("Team"), which represented the remainder of the Post-Drilling Construction segment, were sold for net proceeds of $1,259,253 at a public auction in December 2003.

Selected financial information of the discontinued operations is as follows:

December 31, 2003

	MWC	BIG	TEAM	BROC	$
Current assets:					
Accounts receivable	---	---	1,179,752	3,976,714	5,156,466
Prepaid expenses	---	---	25,669	131,515	157,184
	---	---	1,205,421	4,108,229	5,313,650

December 31, 2002

	MWC	BIG	TEAM	BROC	$
Current assets:					
Accounts receivable	1,155,310	441,139	499,022	2,320,713	4,416,184
Inventory	185,856	227,580	80,083	56,675	550,194
Prepaid expenses	83,925	8,450	26,658	113,912	232,945
	1,425,091	677,169	605,763	2,491,300	5,199,323
Capital assets	1,199,708	171,237	387,457	6,186,556	7,944,958

	2003	2002
	$	$
Revenue (for 2003 to dates of disposition)		
Bigfoot Metal Systems	**1,027,044**	1,713,797
McConnell Welding & Construction	**8,281,653**	9,787,068
Team Pipeline	**5,012,079**	2,373,971
Battle River Oilfield Construction	**11,619,659**	13,296,083
	25,940,435	27,170,919

Net income (loss) from discontinued operations before tax		
Bigfoot Metal Systems	**(12,526)**	(290,823)
McConnell Welding & Construction	**572,181**	(1,165,891)
Team Pipeline	**309,272**	(1,485,670)
Battle River Oilfield Construction	**204,871**	(3,941,608)
	1,073,798	(6,883,992)

Included in the above net income (loss) totals are the gains (losses) arising on disposal of the discontinued operations as follows:

	2003	2002
	$	$
Gain (loss) on disposal of discontinued operations		
Bigfoot Metal Systems	**69,043**	-
McConnell Welding & Construction	**(212,260)**	-
Team Pipeline	**282,134**	-
Battle River Oilfield Construction	**467,406**	-
	606,323	-

4. CAPITAL ASSETS

		2003	
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Buildings and leasehold improvements	**1,819,697**	**636,527**	**1,183,170**
Seismic drills and accessories	**3,712,165**	**3,121,430**	**590,735**
Tractors and heavy equipment	**2,591,190**	**1,903,021**	**688,169**
Equipment and tools	**2,361,493**	**1,863,271**	**498,222**
Office and computer equipment	**1,545,213**	**1,375,282**	**169,931**
Automotive and tracked vehicles	**5,907,630**	**4,068,737**	**1,838,893**
Land	**178,000**	**---**	**178,000**
	18,115,388	**12,968,268**	**5,147,120**

		2002	
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Buildings and leasehold improvements	1,190,676	267,873	922,803
Seismic drills and accessories	3,644,686	2,930,734	713,952
Tractors and heavy equipment	2,553,992	1,695,637	858,355
Equipment and tools	2,012,280	1,572,004	440,276
Office and computer equipment	1,504,488	1,323,320	181,168
Automotive and tracked vehicles	5,353,246	3,952,112	1,401,134
Land	178,000	-	178,000
Capital assets held for resale	598,540	237,500	361,040
	17,035,908	11,979,180	5,056,728

Included in the above totals are amounts related to capital assets which were financed under equipment purchase contracts (note 6(a)) that were outstanding at December 31 as follows:

	Cost $	Accumulated Amortization $	Net Book Value $
		2003	
Automotive, tractors and heavy equipment	919,410	590,245	329,165
		2002	
Automotive, tractors and heavy equipment	1,190,197	513,825	676,372

Additions to capital assets reported in the Statement of Cash Flows excludes non-cash expenditures of $37,667 (2002 - $347,759) which were financed under equipment purchase contracts and $nil (2002 - $1,100,000) which were financed under term loans.

Amortization expense is comprised of:

	2003 **$**	2002 $
Write-down of carrying value of:		
Capital assets	**51,000**	2,981,506
Goodwill	**---**	3,879,520
Amortization of capital assets	**1,231,804**	2,241,756
	1,282,804	9,102,782

As at December 31, 2002 the remaining carrying value of goodwill was assessed as impaired, resulting in a write-down of $3,879,520.

5. BANK INDEBTEDNESS

At December 31, 2003, the Company had a $12,000,000 operating loan facility, with balances outstanding repayable on demand and bearing interest at prime plus 1.25%. The average effective rate for the year was 5.9% (2002 – 5.4%).

The Company's ability to draw on this facility was primarily dependent upon its accounts receivable that were less than 90 days outstanding. The Company had provided a first charge on all accounts receivable and inventory and a subordinated charge on all other assets as collateral for the operating loan facility. Included in this facility were letters of guarantee totaling $280,000 (2002 - $410,000), which were to expire in 2004. The credit agreement contained covenants about the maintenance of certain financial ratios, with which the Company was in compliance at December 31, 2003.

The credit facility expired on February 9, 2004, and was replaced with a revolving demand operating loan credit facility with a new lender, renewable annually, to a maximum of $5,000,000, and bearing interest at prime plus 1.5% (note 17(b)). Letters of guarantee totaling $155,000 were issued under this new facility.

6. LONG-TERM DEBT AND DEBENTURES

a) Long-term debt

	2003 **$**	2002 $
Term loan 1, due August 2004 (i)	**---**	2,716,636
Term loan 2, due February 2006 (ii)	**---**	900,000
Term loan 3, due February 2012 (ii)	**472,088**	1,100,000
Equipment purchase contracts (iii)	**311,854**	362,155
	783,942	5,078,791
Less current portion	**783,942**	1,979,454
	---	3,099,337
Long-term portion of equipment purchase contracts of discontinued operations (see (iii) and (note 3))	**---**	394,886

(i) Term loan 1, maturing August 2004, was repaid in July 2003. The effective average interest rate (at the lender's floating base rate plus 3%) was 6.58% (2002 – 6.21%).

(ii) Term loans 2 and 3 bore interest at the lenders floating base rate plus 3.25%, which for 2003 averaged 6.83% (2002 – 6.46%). The Company had provided a first charge on specific capital assets and a floating charge on all other assets as collateral for these term loans. Term loan 2 was repaid in October 2003 and the balance of $472,088 owing on Term loan 3 was repaid in February 2004 (note 17(c)).

(iii) Equipment purchase contracts bore interest at varying fixed rates which averaged 7.94% as at December 31, 2003 (2002 – 7.98%) and matured in the years 2004 to 2006. Specific items of contractors' equipment and vehicles were pledged as collateral for the loans. The balances outstanding as at December 31, 2003 were repaid in full in February 2004 (note 17).

b) Debentures

(i) In 1999 the Company issued 8% five year subordinated debentures to First Reserve Fund VIII, L.P. ("First Reserve") for gross proceeds of $10,000,000 (net proceeds of $9,020,514 after deducting $979,486 in costs). The debentures were to mature on July 2, 2004 and were secured by a floating charge on all assets.

On September 3, 2003, the Company and First Reserve split the $10,000,000 debenture into a senior debenture with a principal amount of $5,999,999 and a junior debenture with a principal amount of $4,000,001.

On September 4, 2003, First Reserve sold the debentures and associated rights, 29,631,331 common shares of the Company (being 56.2% of the total issued) and $834,000 of accrued debenture interest receivable to Destiny Resource Investment L.P. ("DRILP"). Total consideration paid by DRILP was $5,950,000 and the assumption of any obligations relating to the debentures. The Executive Chairman and Chief Executive Officer of the Company is a minority investor in DRILP.

The debentures required semi-annual principal payments to a maximum annual amount of $2,500,000 to commence June 30, 2002 (the "Sweep Payments"). The determination of the Sweep Payments incorporated cash flow, capital expenditures net of new financing and long-term debt principal repayments for the prior six-month period. The Company was not required to make a Sweep Payment in 2002 or 2003.

In December, 2003, the Company and DRILP agreed: (i) to extend the maturity of the debentures to July 2, 2008; (ii) for the Company to pay $2,000,000 from the proceeds of the new term loan (note 17(a)) and $3,000,000 from the proceeds of the sale of the Battle River heavy equipment (note 17(c)) as retirement of principal on the debentures; and (iii) to replace the requirement for Sweep Payments with a requirement for semi-annual payments based on a formula that incorporates cash flow from operations, proceeds of disposition of assets, capital expenditures and term debt principal payments. No provision has been made for any payments that may be made in 2004.

The debenture agreement contains certain financial and non-financial covenants. As at December 31, 2003, the Company was in compliance with all covenants.

Accrued liabilities includes accrued interest payable on the debentures of $nil (2002 - $403,287).

Subsequent to December 31, 2002, the following repayments of principal on the debentures occurred:

Balance as at December 31, 2002	$ 10,000,000
Repayments in 2003	(166,116)
Balance as at December 31, 2003	9,833,884
Repayment January 2004 upon receipt of cash proceeds from the sale of the assets of BROC (note 17(c))	(3,000,000)
Long-term portion as at December 31, 2003	6,833,884
Repayment February 2004 upon receipt of cash proceeds from term loan 4 (note 17(a))	(2,000,000)
Balance as at February 29, 2004	$ 4,833,884

c) Deferred charges

Deferred charges related to long-term debt facilities includes nil (2002 - $101,000) costs which were incurred and capitalized in the year.

d) Financial covenants

The Company's ongoing ability to meet its financial covenants on the debentures and the term loans is dependent on market conditions. Accordingly, the Company may become in violation of its covenants, which might result in repayment being demanded, which would necessitate the debt becoming classified as a current liability.

7. SHARE CAPITAL

	2003		2002	
	#	$	#	$
Authorized				
Unlimited number of common, first preferred and second preferred shares				
Issued - Common shares				
Beginning of year	**52,711,809**	**8,370,998**	46,878,476	6,777,870
Issued for cash on private placement (i)	--	--	5,000,000	1,500,000
Issued on settlement of accrued liability (ii)	--	--	833,333	250,000
Share issue costs for the year	---	--	---	(156,872)
End of year	**52,711,809**	**8,370,998**	52,711,809	8,370,998

(i) On June 28, 2002 the Company completed a private placement at $0.30 per unit, for gross proceeds of $1.5 million ($1.34 million net of costs incurred). Each of the 5,000,000 units issued consisted of one common share and a one-half common share purchase warrant. The 2,500,000 common share purchase warrants had an exercise price of $0.32 each and all expired on December 31, 2002 without being exercised.

(ii) Effective June 21, 2002 the Company issued to a director and officer of the Company a total of 833,333 common shares at a price of $0.30 in settlement of an accrued liability.

(iii) At December 31, 2002, the holder of a previously redeemed debenture held 3,175,000 common share purchase warrants which had an exercise price of $3.045 per share. These warrants expired on October 31, 2003 without being exercised.

Stock Options

The Company has a fixed stock option ("option") plan under which the Company may grant to directors, officers, management and employees options to purchase up to 4,998,000 common shares. The exercise price of each option equals the closing price of the Company's stock on the last trading date preceding the date of grant. An option's term can vary as specified in the option agreement. Subject to early exercise or termination, all options have a term of 7 years from the date of grant. A summary of the status of the stock option plan is as follows:

	2003		2002	
	# of Options	**Weighted Average Exercise Price $**	**# of Options**	**Weighted Average Exercise Price $**
Outstanding at beginning of year	**3,157,500**	**0.39**	3,372,500	0.37
Granted	---	---	790,000	0.30
Exercised	---	---	---	---
Cancelled	**(940,000)**	**(0.36)**	(1,005,000)	(0.24)
Outstanding at end of year	**2,217,500**	**0.40**	3,157,500	0.39
Options exercisable at end of year	**1,811,500**	**0.42**	1,798,000	0.42

Range of Prices $	Number of Outstanding Options	Weighted Average Exercise Price $	Weighted Average Years to Expiry	Number of Options Exercisable	Weighted Average Exercise Price Of Exercisable Options $
0.20 – 0.37	1,917,500	0.31	4.2	1,533,500	0.31
0.50 – 0.65	170,000	0.51	2.1	148,000	0.51
1.00 – 2.50	130,000	1.61	1.3	130,000	1.62
	2,217,500	0.40		1,811,500	0.42

Per share amounts

	2003 $	2002 $
Basic and diluted per share amounts		
Loss for the year per common share	**(0.00)**	(0.32)
Loss from continuing operations per common share	**(0.02)**	(0.18)
Income (loss) from discontinued operations per common share	**0.02**	(0.14)

The numerators and denominators used in the calculation of each of the basic net loss for the year per common share, basic loss from continuing operations per common share, and basic income (loss) from discontinued operations are determined as follows:

	2003	2002
Numerators:		
Loss from continuing operations	**(1,199,521)**	(9,149,269)
Income (loss) from discontinued operations	**1,073,798**	(6,883,992)
Loss for the year	**(125,723)**	(16,033,261)
Denominator		
Number of shares outstanding at beginning of year	**52,711,809**	46,878,476
Weighted average number of shares issued during year	**---**	3,004,566
Weighted average number of shares outstanding outstanding at end of year	**52,711,809**	49,883,042

The numerators and denominators used in the calculation of each of the diluted net loss for the year per common share, diluted loss from continuing operations per common share, and diluted income (loss) from discontinued operations are determined as follows:

	2003	2002
Numerators:		
Loss from continuing operations	**(1,199,521)**	(9,149,269)
Income (loss) from discontinued operations	**1,073,798**	(6,883,992)
Loss for the year	**(125,723)**	(16,033,261)
Denominator:		
Weighted average number of share outstanding at end of year - basic	**52,711,809**	49,883,042
Effect of potentially dilutive securities:		
Exercise of "in-the-money" options	**---**	172,000
Weighted average number of shares outstanding at end of year - diluted	**52,711,809**	50,055,042

Excluded from the diluted earnings per share amount are 2,217,500 (2002 – 3,047,500) "out-of-the money" options and nil (2002 – 3,175,000) warrants the impact of which was anti-dilutive.

8. INTEREST EXPENSE

	2003 $	2002 $
Long-term debt:		
Debenture interest at 8%	**797,014**	800,000
Debenture other	**121,430**	---
Term loans	**194,172**	322,887
Equipment purchase contracts	**59,762**	166,570
	1,172,378	1,289,457
Short-term bank indebtedness	**416,660**	343,075
Amortization of deferred charges	**782,681**	548,908
	2,371,719	2,181,440

9. OTHER EXPENSES (INCOME)

	2003 $	2002 $
Gain on sale of investments and other assets (i)	**(189,086)**	(440,080)
Foreign exchange	**(1,503)**	7,584
Restructuring charges	**---**	376,985
Investment and other	**---**	1,079
	(190,589)	(54,432)

(i) Gain on sale of investments and other assets in 2002 primarily included a gain of $214,911 recognized on the collection of long-term receivables that had been previously written-down, and $419,628 from the sale of marketable securities.

10. GAIN ON DISPOSAL OF SUBSIDIARY COMPANY

Effective December 19, 2002, the Company disposed of its shareholdings in the inactive, former international operations holding company, Destiny Holdings Overseas Ltd. ("DHOL"), which owned Destiny's international subsidiary companies. The transaction was with an arms-length corporation for consideration consisting of $2 and the assignment to the purchaser of various balances receivable from DHOL. The DHOL group had a net liability position, which resulted in a non-cash gain on disposition of $566,725 in 2002 as follows:

	2002 $
Inventory	49,553
Capital assets	32,947
Accounts payable and accrued liabilities	(633,565)
Income taxes payable	(15,660)
	(566,725)

11. INCOME TAXES

Income tax expense (recovery) varies from the amounts that would be computed by applying the combined Canadian federal and provincial income tax rate for the following differences:

	2003 $	2002 $
Corporate tax rate	**36.75%**	39.25%
Provision for income taxes (recovery) at combined rate	**(24,281)**	(6,825,785)
Increase (decrease) in income taxes from:		
Non-recognition of future tax assets	**111,888**	4,229,910
Non-deductible write-downs and amortization of goodwill	---	1,522,712
Other non-deductible (non-taxable) portion of other expense / (income)	**(87,607)**	(79,300)
Gain on disposition of international subsidiary companies	---	(222,440)
Lower effective income tax rate on losses (income) of foreign subsidiaries	---	(30,545)
Large corporations tax and other	**59,650**	48,163
	59,650	(1,357,285)

Components of future income taxes

Future income taxes reflect the net tax effect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets are as follows:

	2003 **$**	2002 $
Differences between tax base and reported amounts of depreciable assets	**(633,080)**	(111,394)
Non-capital loss carry-forwards	**3,818,424**	3,809,052
Deferred charges and other	**317,650**	276,097
Deferred partnership income	**(1,806,418)**	-
Valuation allowance on net operating loss carry-forwards	**(1,696,576)**	(3,973,755)
Future tax asset (liability)	**---**	---

As at December 31, 2003 the Company has available for Canadian income tax purposes non-capital losses carried forward of approximately $11,029,000, the benefit of which has been only partially recognized in these financial statements. These losses expire as follows:

	$
2004	-
2005	752,000
2006	3,000
2007	3,000
2008	8,144,000
2009	2,127,000
	11,029,000

12. TRANSACTIONS WITH SHAREHOLDERS AND RELATED PARTIES

In addition to the transactions in 2003 and 2002 with the debenture holders, First Reserve and DRILP (see note 6(b)), and the 2002 transactions with an officer of the Company (note 7(ii)), approximately $550,000 (2002 - $242,000) was charged to the Company under the terms of equipment rental agreements with certain shareholders and employees associated with one of the business segments discontinued by the Company during the year. Of these charges, $nil is included in accounts payable at December 31, 2003 (2002 - $63,000). These transactions were in the normal course of operations and are recorded at their exchange amount.

13. NET CHANGE IN NON-CASH WORKING CAPITAL

	2003 **$**	2002 $
Accounts receivable	**(2,271,934)**	2,881,884
Inventory	**132,999**	574,562
Prepaid expenses	**3,250**	31,678
Accounts payable and accrued liabilities	**393,857**	(4,504,146)
Income taxes payable	**4,346**	(6,388)
	(1,737,482)	(1,022,410)
Supplemental information:		
Cash interest paid during the year	**2,005,135**	1,634,223
Cash taxes paid during the year	**55,304**	51,228

14. SEGMENTED INFORMATION

The Company provides services to the oil and gas exploration industry in the Western Canadian Sedimentary Basin and the Canadian Arctic. The Company has previously reported segmented information with its business segments being defined as Front-End Services, Surface Preparation and Post-Drilling Construction.

As at December 31, 2003 the Company has only one continuing business segment, and accordingly segmented information has not been reported. The businesses that comprised the former Surface Preparation and Post-Drilling Construction business segments have been classified as discontinued operations (note 3).

15. FINANCIAL INSTRUMENTS

a) Credit risk

The Company's sales are to customers in the oil and gas industry, which results in a concentration of credit risk. The Company generally extends unsecured credit to these customers, and therefore the collection of receivables may be affected by changes in economic or other conditions and may accordingly impact the Company's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which the Company extends credit. The Company has not previously experienced any material credit losses on the collection of accounts receivable related to continuing operations. The income from discontinued operations for 2003 is net of bad debt expense in the amount of approximately $983,000 related to a single large account receivable being determined to be uncollectible during 2003.

After excluding the accounts receivable and revenue related to the discontinued operations, approximately 9% of accounts receivable at December 31, 2003 (2002 – 46%) and 49% (2002 – 55%) of revenues for the year were represented by one customer.

b) Interest rate risk

The Company is exposed to interest rate risk related to interest expense on its floating rate debt facilities.

c) Fair value of financial assets and liabilities

The Company has financial instruments consisting of accounts receivable, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, debentures and long-term debt. The carrying value of these instruments approximates fair value unless otherwise stated. At December 31, 2003, the value of the debentures based on prevailing interest rates for debt instruments of a similar nature and term was approximately $9,834,000 (2002 - $10,163,000).

16. COMMITMENTS AND CONTINGENCIES

a) Operating leases

The Company's minimum future annual payments required under operating lease commitments for premises, vehicles and equipment are approximately as follows:

	$
2004	597,000
2005	436,000
2006	296,000
2007	282,000
2008	282,000
2009	282,000
2010	282,000
	2,457,000

b) Litigation

The Company, through the performance of its service obligations, is sometimes named as a defendant in litigation. The nature of these claims is usually related to personal injury or operations not considered to be complete. The Company maintains a level of insurance coverage considered appropriate by management for matters for which insurance coverage can be maintained.

In September 2003 a statement of claim was filed against the Company and two other companies seeking payment for damages and loss of income totaling $10,000,000. The claim alleges faulty workmanship conducted on a major gas plant expansion project, by one the discontinued operations of the Company and the other two companies named in the claim led to significant damage at the gas plant. The Company believes that this claim is completely without merit. The matter has been referred to counsel for the Company's insurance provider and will be vigorously defended. As neither the outcome nor the final amount of the claim can be determined as at December 31, 2003 no provision has been made in these financial statements.

17. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2003:

a) In February 2004, the Company entered into a $3,550,000 term loan facility, bearing interest at the lender's base rate plus 3.25%, maturing in 2007. The Company has provided a first charge on specific capital assets and a floating charge on all other assets as collateral for this term loan. Of the $3,550,000 of loan proceeds, $313,994 was applied to repay the balances outstanding on all remaining equipment purchase contracts (note 6(a)), $2,000,000 was repaid on the debentures (note 6(b)) and the remaining proceeds of $1,236,006 was used to supplement working capital.

b) In February 2004, the Company replaced its existing $12,000,000 operating loan (note 5) with a $5,000,000 revolving demand operating loan credit facility with a new lender. The operating loan is renewable annually, bears interest at prime plus 1.5% and is secured with a first charge on accounts receivable and a subordinated charge on all other assets of the Company.

c) In February 2004, the Company closed the sale of the heavy equipment of Battle River Oilfield Construction for cash proceeds of $3,972,621. The proceeds, which are included in current assets of discontinued operations as at December 31, 2003, were used to repay equipment purchase contracts outstanding in the amount of $127,154, to repay $3,000,000 of the debentures and to repay the $450,735 balance outstanding on term loan 3. The balance of the proceeds was used to supplement working capital.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

CORPORATE INFORMATION

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Executive Chairman & Chief Executive Officer
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Calgary, Alberta

Glen D. Roane
Corporate Director
Canmore, Alberta

Nathan S. Feldman, C.A.
Independent Businessman and Financial Consultant
Calgary, Alberta

David M. McGoey, C.A.
Independent Businessman
Calgary, Alberta

Officers

Bruce Libin
Executive Chairman & Chief Executive Officer

Jim Holt
Vice-President, Drilling

Warren Plue
Vice-President, Survey & Line Clearing

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Calgary, Alberta

Banker

HSBC Canada
Calgary, Alberta

Legal Counsel

Stikeman Elliott LLP
Calgary, Alberta

Registrar and Transfer Agent

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

Valiant Trust Company
Suite 510
550 Sixth Avenue S.W.
Calgary, Alberta T2P 0S2
Attention: Stock Transfer Department
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Stock Exchange Listing

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